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C O N F I D E N T I A L SECTION 01 OF 02 TUNIS 001598

SIPDIS

SIPDIS

NEA/MAG (HOPKINS AND HARRIS) AND EB/CBA (WINSTEAD/GILMAN)  
STATE PASS USTR (BURKHEAD)  
USDOC FOR ITA/MAC/ONE (NATE MASON)  
CASABLANCA FOR (FCS ORTIZ)

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SUBJECT: NEW MINISTER OF COMMERCE ENTHUSIASTIC ABOUT  
US-TUNISIA TIES

REF: TUNIS 1581

Classified By: Ambassador Robert F. Godec for reasons 1.4 (b) and (d)

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Summary  
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11. (SBU) During the Ambassador's December 18 courtesy call, newly appointed Minister of Commerce Ridha Touiti said that Tunisia is well prepared for the full implementation of the European Union (EU) Association Agreement on January 1, 2008.

Touiti was very enthusiastic about both the upcoming TIFA Council meeting and the future of franchises in Tunisia. Touiti was worried about the negative impact that rising agricultural commodity prices were having on the economies of developing countries. Touiti also asked for USG financial and technical assistance to establish the Regional Center for Competition for Africa and the Middle East in Tunisia. End Summary.

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Tunisia ready for EU Agreement...  
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12. (SBU) On December 18, the Ambassador met with Minister of Commerce Ridha Touiti, who was appointed in September 2007. The Ambassador asked whether Tunisia was prepared for the full implementation of the European Union (EU) Association Agreement in January 2008. Minister Touiti said that the Tunisian economy is ready as it has successfully upgraded and improved the efficiency of Tunisia's industrial sector so that it is now competitive with the EU. Touiti went on to explain that the industrial modernization process had increased the flow of foreign direct investment (FDI), created many new jobs, and had effectively turned Tunisia into a manufacturing base for export to neighboring countries. Touiti said that the EU Agreement has not led to an increase of imports from the EU, as had been expected. Rather, Tunisia has diversified its sources of supply to include the Middle East, Africa, Asia and the United States so that the EU share of imports has actually decreased from 75 percent in 1996 to 64 percent in 2007. He added that this decrease can also be attributed to the appreciation of the Euro which makes EU imports more expensive.

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...and TIFA Council  
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¶3. (SBU) The Ambassador informed Touiti that the next US-Tunisia TIFA Council meeting is planned for early 2008. Touiti was enthusiastic and said that he also hoped to have more US business delegations visit Tunisia. Touiti said that the opportunities exist for more trade and investment between the United States and Tunisia and that he would like to eventually see a US-Tunisia free trade agreement concluded. The Ambassador noted that, while the TIFA Council was not the same as FTA negotiations, it was an opportunity to discuss subjects of importance to both countries.

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Franchises Liberalization  
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¶4. (SBU) The Ambassador said that the services sector, especially franchises, is of great interest to US business and that he understood the Ministry is currently drafting new services legislation covering franchises (reftel). Touiti confirmed that the Ministry is preparing new legislation to regulate the services sector, including franchises. The Ambassador said that permitting US franchises in Tunisia would bring US know-how and technology transfer to Tunisian businesses, provide increased employment, and provide employees with good management skills. Touiti agreed and indicated that he was confident that franchises will have a positive impact on domestic trade and help to upgrade and support small businesses in Tunisia.

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Rising Agricultural Product Prices  
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¶5. (SBU) Touiti spent considerable time talking about the rising price of agricultural commodities such as corn and wheat and the negative effect that these rising prices were having on the trade balances of developing countries. He complained that everybody was following the increased price of oil but not paying attention to the more rapid increase in agricultural products. He stated that the cost of agricultural product imports to Tunisia has doubled in one year (from 400 million TND in 2006 to 800 million TND in 2007). Touiti continued that 35 percent of the Tunisian household spending is for food products and said the GOT is obliged to subsidize many products in order to maintain the purchasing power of the Tunisian consumer.

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Competition Center  
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¶6. (SBU) Touiti informed the Ambassador that Tunisia has recently been selected by United Nations Conference on Trade and Development (UNCTAD) to host the Regional Center for Competition for Africa and the Middle East, which would help formulate competition policy for the region. Touiti asked if the United States could assist the GOT in implementing this project as UNCTAD is currently facing financial problems. Touiti also indicated that they would appreciate any technical assistance and/or training on competition policy. The Ambassador said that the US may have avenues available to assist with this project and that he would discuss the issue with Washington. The Ambassador asked for additional details on the project and the Minister agreed to provide them.

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Comment  
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¶7. (C) For a new minister, Touiti was surprisingly frank and

informed about the key bilateral economic and commercial issues. Further, he voiced support for expanding ties through further cooperation and even a future free trade agreement. While it is unclear what role Touiti will have in upcoming TIFA discussions, his support for franchising and related liberalization is encouraging. We will follow up with the Ministry regarding possible USG technical assistance for these efforts, including the MEPI-funded Commercial Law Development Program (CLDP). End Comment.

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<http://www.state.sgov.gov/p/nea/tunis/index.cfm>  
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